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SUBJECT: Industry Braces for Forced Indigenization

1. Summary: Zimbabweans reflexively cringe when their near-octogenarian president boasts of a new economic initiative. Robert Mugabe's policies have already produced farms with no crops, gas stations with no gas and banks with no money. Although still just an idea percolating in ZANU-PF circles, Mugabe might next use corporate indigenization to justify a ZANU-PF grab of certain remaining Asian- and white-owned businesses. End Summary.

2. In his July 22 address to Parliament, Mugabe said a new Indigenization Bill would ensure that "companies allocate a minimum 20 per cent shareholding to their workers." At first glance, Mugabe appeared to advocate an employee profit-sharing plan for all businesses operating here. Based on initial deliberations in Parliament, however, it seems that the ruling ZANU-PF party seeks to limit the proposed law to minority (i.e., Asian- and white-owned) businesses. Furthermore, the measure would require these businesses to accept twenty percent black ownership, but not necessarily by workers.

CZI's waning credibility

3. Following up on Mugabe's address, the Confederation of Zimbabwe Industries angered member companies by asking them to complete a questionnaire about black participation on their boards. Minority business-owners accuse CZI President Anthony Mandiwanza of deserting their interests and colluding with the Government trying to expand his own holdings. (Takepart Enterprises, co-owned by Mandiwanza and three other ZANU-PF heavyweights, has recently acquired stakes in various firms.) Because Mandiwanza earned accolades throughout the business community for standing up to the GOZ on price controls, this recent turn of events is unfortunate.

4. While it is too early to tell what form the new law might take, minority business-owners fear the fervor of fast-track land reform swinging toward them. Mugabe's controversial land redistribution resettled many small-scale black farmers, but also enabled ZANU-PF higher-ups to extrajudicially seize many commercial farms. Business-owners dread being pressured to accept these political strongmen as co-owners, especially in non-listed family operations.

Comment

5. To be sure, indigenization of the private sector is a worthy post-colonial objective. Blacks comprise 99 percent of Zimbabwe's population. In fact, Zimbabwe has made admirable strides to foster black business-owners and CEOs over the past 10 years, so much so that Asian- and white-company heads are an increasing rarity. Still, after the GOZ policy of political favoritism in land redistribution, concern that the Indigenization Bill could degenerate into political cronyism is not unwarranted. As chances for talks with the opposition Movement for Democratic Change mount, the GOZ also seems to be accelerating its seizure of remaining white-owned farms. In the worst scenario, leaders might regard the next months as their last chance to pilfer.

Whitehead